

Indiana

Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

Public Hearing on Reassessment of Real Property in Marion County

Department of Local Government Resolution #2007-01

Public Assembly Room, City-County Building
Indianapolis, Indiana
July 31, 2007



Agenda

- o **Public hearing will run from 2:00 – 5:00 p.m.**
- o **The Need For Reassessment Of Real Property**
 - o Accuracy and Equity
 - o Lack of Adjustments to Commercial and Industrial Properties
- o **How The Reassessment Will Be Handled**
 - o Securing a Vendor
 - o Commercial and Industrial Properties
 - o Residential Properties
- o **Opportunity For Public Comments**
 - o Elected/Appointed Marion County Officials
 - o Floor will be open for public comment
 - o **Please note that each speaker is limited to 3 minutes for comments**



Opening Comments

Commissioner Cheryl A.W. Musgrave

"Committed to a fair and equitable property tax system for Hoosier taxpayers."



The Need For Reassessment Of Real Property

"Committed to a fair and equitable property tax system for Hoosier taxpayers."



The Need for Reassessment of Real Property

o Accuracy of Assessments

Accuracy refers to how close the assessments determined by local assessing officials are to market value-in-use

o Equity of Assessments

Equity refers to how uniform assessments are within a class of property or geographic area



The Need for Reassessment of Real Property

- o Accuracy and equity are measured by conducting a statistical analysis known as an assessment-to-sales ratio study
- o The basic statistic in an assessment-to-sales ratio study is an assessment ratio

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$



The Need for Reassessment of Real Property

- o In Indiana, the assessment ratio for all properties is to be 100%

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$

Example 1: $\$60,000 \div \$60,000 = 100\%$

Example 2: $\$54,000 \div \$60,000 = 90\%$

Example 3: $\$66,000 \div \$60,000 = 110\%$



The Need for Reassessment of Real Property

- o Using these ratios from sold properties and grouping them by township and class, an assessment-to-sales ratio study determines if assessments are accurate and equitable



The Need for Reassessment of Real Property

Statistical Measures

- o **Accuracy** is measured by the median ratio
 - o The median ratio is the “average” level of assessment for a class of property
- o **Equity** is measured by the coefficient of dispersion (COD)
 - o The coefficient of dispersion (COD) gives the relative dispersion, or variability, of assessments from the median



The Need for Reassessment of Real Property

Standards

- o 50 IAC 21, the administrative rule governing annual adjustments, sets the following standards for assessments:
 - o **Accuracy** – The median ratio for any class of property in a township should fall between 90% and 110%
 - o **Equity** - the coefficient of dispersion (COD) should be:
 - o <15% on improved residential property; and
 - o <20% on all other classes



Results of Marion County Ratio Study

Accuracy

- 1) Unimproved residential property assessments in Decatur, Lawrence, Pike, and Warren Townships were below the acceptable range of assessment accuracy required by 50 IAC 21
- 2) Improved commercial property assessments in Lawrence, Perry, Pike and Washington Townships were below the acceptable range of assessment accuracy required by 50 IAC 21



Results of Marion County Ratio Study

Accuracy

- 3) Unimproved commercial property assessments in Franklin, Lawrence, Warren, and Wayne Townships were below the acceptable range of assessment accuracy required by 50 IAC 21
- 4) Improved industrial property assessments in Decatur, Franklin, Lawrence, and Warren Townships were below the acceptable range of assessment accuracy required by 50 IAC 21



Results of Marion County Ratio Study

Accuracy

- 5) Unimproved industrial property assessments in Warren and Wayne Townships were below the acceptable range of assessment accuracy required by 50 IAC 21



Results of Marion County Ratio Study

Equity

- 1) The equity of assessments on improved residential property in Center Township was outside the acceptable range required by 50 IAC 21
- 2) The equity of assessments on improved commercial property in Lawrence, Perry, Warren, and Washington Townships was outside the acceptable range required by 50 IAC 21



Results of Marion County Ratio Study

Equity

- 3) The equity of assessments on unimproved commercial property in Franklin, Lawrence, and Warren Townships was outside the acceptable range required by 50 IAC 21
- 4) The equity of assessments on unimproved industrial property in Warren Township was outside the acceptable range required by 50 IAC 21



Lack of Adjustments to Commercial and Industrial Properties

- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
 - 1) County-wide analysis of gross assessed values on all classes of commercial and industrial parcels revealed that seventy-two percent (72%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year



Lack of Adjustments to Commercial and Industrial Properties

- 2) County-wide analysis of gross assessed values on commercial vacant land revealed that ninety percent (90%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year



Lack of Adjustments to Commercial and Industrial Properties

- 3) County-wide analysis of gross assessed values on industrial vacant land in Marion County, Indiana revealed that seventy-eight percent (78%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year



Lack of Adjustments to Commercial and Industrial Properties

- 4) Township-by-township analysis of gross assessed values on all classes of commercial and industrial parcels revealed that only two (2) townships of the nine (9) townships made significant changes ($> 50\%$) in the number of commercial and industrial assessments increased from 2005 to 2006

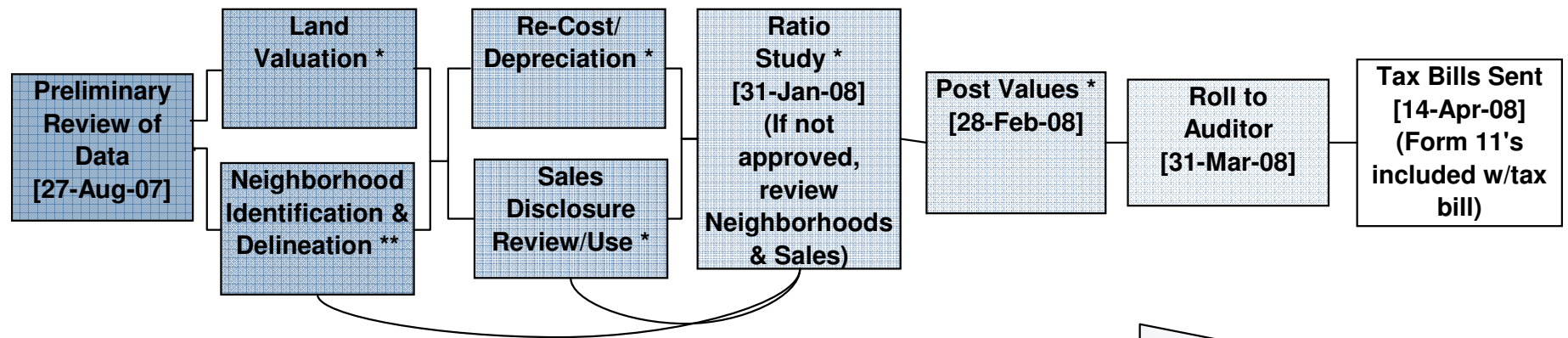


How the Reassessment Will be Handled

"Committed to a fair and equitable property tax system for Hoosier taxpayers."



Timeline for Marion County Commercial and Industrial Reassessments



Timeline for Residential Reassessment will run Concurrently

* DLGF Review and Approval Process

** Report on how Neighborhoods are defined

"Committed to a fair and equitable property tax system for Hoosier taxpayers."



Securing a Vendor

- o Marion County officials will select the vendor to conduct the reassessment through the Special Procurement process
- o Indiana Department of Administration must first approve the Special Procurement process
- o Department of Local Government Finance will have oversight of the vendor
 - o Vendor must be certified under 50 IAC 15-4-1; and
 - o Vendor must include in its contract the provisions required by IC 6-1.1-4-18.5 and IC 6-1.1-4-19.5
- o Checklist for these required contract provisions can be found at <http://www.in.gov/dlgf/local/assessor.html>
- o Special Procurement process is estimated to take 2 to 3 weeks



Commercial and Industrial Properties

o Assumptions:

- o Underlying property data is correct, such as square footage, number of bedrooms, etc.
- o Vendor will not be required to perform the work on the Marion County computer system
- o Vendor will pull the values into their own system
- o Vendor will be using 2005 pay 2006 Marion County Assessor Data



Commercial and Industrial Properties

- o Initial process is expected to use an updated cost approach in addition to updating land values:

$$\begin{aligned} &1999 \text{ RCN} \times \text{Cost Factor} = 2005 \text{ RCN} \\ &\quad - \text{Depreciation (6 years)} \\ &\quad = \text{Improvement Market Value} \\ &\quad \times \text{2005 Neighborhood Factor} \\ &\quad = 2005 \text{ Improvement Market Value} \\ &\quad + \text{2005 Land Market Value} \\ &\quad = 2005 \text{ Total Market Value} \end{aligned}$$



Commercial and Industrial Properties

- o Annual Adjustment Factor will be based on Sales Disclosures from 2004 and 2005, with a January 1, 2005 valuation date
- o Department will review and approve the reassessment work throughout the process
- o Reassessment of real property is expected to be completed by February 1, 2008, and assessed values shall be rolled to the County Auditor by February 28, 2008



Residential Properties

- o County Assessor, working with the Township Assessors, will be responsible for the reassessment of residential properties
- o County Assessor may retain a vendor to assist with the reassessment of residential properties
- o Department will review and approve the residential reassessment work throughout the process



Comments & Questions

Please email written comments and questions
regarding the reassessment to:

marionreassessment@dlgf.in.gov

(No phone comments will be accepted)